

House File 2147 - Introduced

HOUSE FILE 2147

BY HEIN

A BILL FOR

1 An Act relating to funding for Iowa roads by providing for an
2 annual transfer of revenue from the Iowa economic emergency
3 fund to the road use tax fund and for adjustments to the
4 rate of the excise taxes on motor fuel and certain special
5 fuel used in motor vehicles.

6 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 8.55, subsection 2, Code 2014, is amended
2 by adding the following new paragraph:

3 NEW PARAGRAPH. *Ob.* The remaining revenues not to exceed
4 two hundred twenty million dollars for the fiscal year shall
5 be transferred to the road use tax fund. The department of
6 management shall certify to the department of revenue the
7 amount transferred under this paragraph.

8 Sec. 2. Section 8.55, subsection 2, paragraph b, Code 2014,
9 is amended to read as follows:

10 *b.* ~~The remainder of the excess, if any,~~ Any excess remaining
11 after the transfers required in paragraphs "a" and "Ob" shall be
12 transferred to the general fund of the state.

13 Sec. 3. Section 452A.3, subsections 1 and 1A, Code 2014,
14 are amended by striking the subsections and inserting in lieu
15 thereof the following:

16 1. *a.* Except as otherwise provided in this section and in
17 this division, this subsection shall apply to the excise tax
18 imposed on each gallon of motor fuel used for any purpose for
19 the privilege of operating motor vehicles in this state.

20 *b.* Until December 31, 2014, an excise tax of twenty cents is
21 imposed on each gallon of motor fuel used for any purpose for
22 the privilege of operating motor vehicles in this state. For
23 the calendar year beginning January 1, 2015, and each calendar
24 year thereafter, if the amount transferred to the road use
25 tax fund for the fiscal year ending during the immediately
26 preceding calendar year pursuant to section 8.55, subsection 2,
27 is less than two hundred twenty million dollars, the rate of
28 the tax shall be the sum of twenty cents plus the amount of the
29 increase determined by the department pursuant to subsection
30 1A.

31 1A. If the amount transferred to the road use tax fund
32 for the fiscal year ending during the immediately preceding
33 calendar year pursuant to section 8.55, subsection 2, is less
34 than two hundred twenty million dollars, the amount of the
35 increase to be applied to the tax rates under subsection 1

1 and subsection 3, paragraph "b", subparagraph (1), shall be
2 an amount equal to the difference between two hundred twenty
3 million dollars and the amount transferred, divided by the
4 number of gallons of motor fuel and special fuel for diesel
5 engines of motor vehicles distributed in this state during the
6 fiscal year ending during the immediately preceding calendar
7 year, rounded to the nearest one-half cent. For purposes of
8 this subsection, only ethanol blended gasoline and gasoline
9 other than ethanol blended gasoline, not including aviation
10 gasoline, shall be used in determining the number of gallons of
11 motor fuel distributed.

12 Sec. 4. Section 452A.3, subsection 1C, Code 2014, is amended
13 to read as follows:

14 1C. The rate of the excise tax on E-85 gasoline imposed
15 in subsection 1B shall be determined based on the number of
16 gallons of E-85 gasoline that are distributed in this state
17 during the previous calendar year. The department shall
18 determine the actual tax paid for E-85 gasoline for each period
19 beginning January 1 and ending December 31. The amount of
20 the tax paid on E-85 gasoline during the past calendar year
21 shall be compared to the amount of tax on E-85 gasoline that
22 would have been paid using the tax rate for gasoline imposed
23 in subsection 1 ~~or 1A~~ and a difference shall be established.
24 If this difference is equal to or greater than twenty-five
25 thousand dollars, the tax rate for E-85 gasoline for the period
26 beginning July 1 following the end of the determination period
27 shall be the rate in effect as stated in subsection 1 ~~or 1A~~.

28 Sec. 5. Section 452A.3, subsection 3, Code 2014, is amended
29 to read as follows:

30 3. a. For the privilege of operating motor vehicles or
31 aircraft in this state, there is imposed an excise tax on the
32 use of special fuel in a motor vehicle or aircraft. The

33 b. (1) Until December 31, 2014, the tax rate on special
34 fuel for diesel engines of motor vehicles is twenty-two and
35 one-half cents per gallon. For the calendar year beginning

1 January 1, 2015, and each calendar year thereafter, if the
2 amount transferred to the road use tax fund for the fiscal year
3 ending during the immediately preceding calendar year pursuant
4 to section 8.55, subsection 2, is less than two hundred twenty
5 million dollars, the rate of the tax shall be the sum of
6 twenty-two and one-half cents plus the amount of the increase
7 determined by the department pursuant to subsection 1A.

8 (2) The rate of tax on special fuel for aircraft is three
9 cents per gallon.

10 (3) On all other special fuel, unless otherwise specified in
11 this section, the per gallon rate is the same as the motor fuel
12 tax.

13 c. Indelible dye meeting United States environmental
14 protection agency and internal revenue service regulations must
15 be added to fuel before or upon withdrawal at a terminal or
16 refinery rack for that fuel to be exempt from tax and the dyed
17 fuel may be used only for an exempt purpose.

18 Sec. 6. Section 452A.3, Code 2014, is amended by adding the
19 following new subsection:

20 NEW SUBSECTION. 8. Annually by December 15, the director
21 shall cause an advisory notice to be published in the Iowa
22 administrative bulletin and in a newspaper of general
23 circulation in this state, stating the rate of taxes to be
24 in effect on or after January 1 of the following year, as
25 established pursuant to subsection 1, subsection 1A, and
26 subsection 3, paragraph "b". The publication of the rate of tax
27 by the director is exempt from chapter 17A.

28 Sec. 7. APPLICABILITY — INVENTORY TAX. Notwithstanding
29 section 452A.85, persons who have title to motor fuel, ethanol
30 blended gasoline, undyed special fuel, compressed natural gas,
31 or liquefied petroleum gas in storage and held for sale on
32 the effective date of an increase in the rate of excise tax
33 imposed on motor fuel, ethanol blended gasoline, or special
34 fuel pursuant to this Act shall not be subject to an inventory
35 tax on the gallonage in storage as provided in section 452A.85

1 as a result of the tax increases provided in this Act.

2 EXPLANATION

3 The inclusion of this explanation does not constitute agreement with
4 the explanation's substance by the members of the general assembly.

5 This bill provides additional funding annually for Iowa
6 roads.

7 Currently, when the amount of moneys in the Iowa economic
8 emergency fund is equal to the maximum balance allowed by law,
9 the first \$60 million of the difference between the actual
10 net revenue for the general fund of the state for the fiscal
11 year and the adjusted revenue estimate for the fiscal year is
12 transferred to the taxpayers trust fund, and any remaining
13 excess funds are transferred to the general fund of the state.
14 This bill provides that after the transfer of \$60 million
15 to the taxpayers trust fund, any remaining revenues, up to
16 a maximum of \$220 million, shall be transferred to the road
17 use tax fund, and any excess remaining after that shall be
18 transferred to the general fund of the state. The department
19 of management is required to certify to the department of
20 revenue the amount transferred to the road use tax fund. For
21 years in which the amount transferred to the road use tax fund
22 from the economic emergency fund is less than \$220 million,
23 the bill provides for an automatic temporary increase in the
24 excise taxes on motor fuel and special fuel for diesel engines
25 of motor vehicles to supplement the amount transferred.

26 Under current law, the rate of the excise tax on ethanol
27 blended gasoline and motor fuel other than ethanol blended
28 gasoline is determined according to a distribution percentage
29 formula that expires on June 30, 2014. After that, the rate of
30 the excise tax on all motor fuel will be 20 cents per gallon.
31 The rate of the excise tax on special fuel used in diesel
32 engines of motor vehicles is currently 22.5 cents per gallon.

33 Under the bill, the rate of the excise taxes on motor fuel
34 and special fuel used in diesel engines of motor vehicles
35 will remain at 20 cents per gallon and 22.5 cents per gallon,

1 respectively, provided the amount transferred from the economic
2 emergency fund to the road use tax fund for the fiscal year
3 ending during the immediately preceding calendar year equals
4 \$220 million. Beginning January 1, 2015, and each January
5 1 thereafter, if the amount transferred for the fiscal year
6 ending during the immediately preceding calendar year is less
7 than \$220 million, the excise taxes on motor fuel and special
8 fuel for diesel engines of motor vehicles will be temporarily
9 increased for one calendar year at a rate calculated to reach
10 the \$220 million target. The department of revenue shall
11 determine the rate of the increase in the excise taxes by
12 calculating the difference between \$220 million and the actual
13 amount transferred, dividing the difference by the number of
14 gallons of motor fuel and special fuel for diesel engines of
15 motor vehicles distributed in the state during the fiscal year
16 ending during the immediately preceding calendar year, and
17 rounding that result to the nearest one-half cent. The bill
18 specifies that aviation gasoline is not to be included for
19 purposes of calculating the number of gallons of motor fuel
20 distributed. By operation of law, the rate determined under
21 the bill for motor fuel is also the rate for special fuel that
22 is not for diesel engines of motor vehicles or for aircraft,
23 and under specified circumstances, the rate determined under
24 the bill for motor fuel may also be the rate for E-85 gasoline.

25 The bill requires the director of revenue to have an advisory
26 notice published in the Iowa administrative bulletin and in a
27 newspaper of general circulation in the state by December 15
28 annually stating the rate of the taxes on motor fuel, special
29 fuel for diesel engines of motor vehicles, and other affected
30 fuels to be in effect the following January 1.

31 Pursuant to current law, when the rate of excise tax on
32 motor fuel, ethanol blended gasoline, undyed special fuel,
33 compressed natural gas, or liquefied petroleum gas is increased
34 by more than one-half cent per gallon, a person who has title
35 to such fuel held in storage for eventual sale is subject to an

1 inventory tax based on the gallonage in storage at the close of
2 the business day preceding the effective date of the increase.
3 The bill waives that requirement by stating that the inventory
4 tax shall not be imposed as a result of the tax increases
5 provided in the bill.